

### Investment Consideration

#### 18% increase in new contracts

WTON is targeting 2019 new contracts of IDR.9trillion up 18% compared to last year and our previous report target. WTON's new contracts in 2Q19 fell 13% YoY to IDR.2.7 trillion due to the political situation which delayed some projects. WTON's initial target remains and in 2H19 WTON will receive large projects from parent WIKA Group. In 2019, WTON will increase the portion of contracts from WIKA to 44% from 26% in 2Q19 as part of a group synergy program. As of 2Q19, the top 2 customers are WIKA group 26.1% and State electricity company (PLN) 13.9%. Large projects from WIKA Group are the HSR and Semarang-Demak toll road. We upgrade our bottom line target 2019-2020 to average 12% CAGR. We believe WTON can achieve this despite the slowdown in 1H19 as can be seen from the rising yoy growth trends.

#### Capex upgraded 82%

WTON is set to increase its 2019 capital expenditure by 82% to IDR. 779 billion from an initial plan of IDR. 428 billion. Capex will be used for land expansion, increased capacity of precast and ready mix development. Ready mix additional capacity is targeted to be 4mn tons as part of the plan to generate more revenue. WTON is the supplier of ready mix for projects such as Balikpapan-Samarinda Toll road and HSR (High Speed Railway). Both projects are scheduled to be completed by 2019 and 2020. Precast capacity is targeted to increase from 3.6mn to 4mn tons mostly in the existing plant. In addition, WTON will also use capex for an additional 4 mobile plants in Pekanbaru to support Infrastructure projects in Sumatera. One of the sources of funding will be treasury stock of around IDR.240 billion targeted for 4Q19.

#### New raw material procurement business

WTON is entering a new business in raw material procurement for split stone and sand. This will not be significant in 2019 but more in 2020-2021 and will impact COGS expenses. The development of this new business will be in cooperation with land owners in several locations such as in Quarry Tayan. WTON will also develop in South Sulawesi. Aside from cooperation with land owners, WTON will also do land tenure in Palu where WTON owns 20 to 40 Ha.

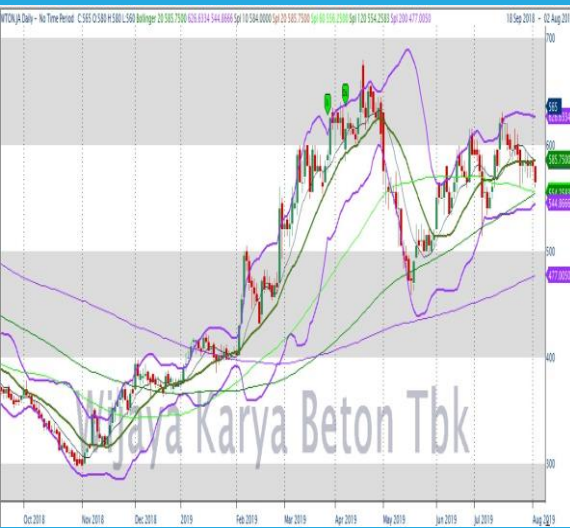
#### Valuation: 27% upside

With WACC 9.1%. we are targeting a price within one year of IDR. 700/share or trading at 12.5x PER, which gives 27% upside, BUY

	Profit and Loss (IDR.bn)	2016A	2017A	2018A	2019F	2020F
<b>Revenue</b>	<b>3,482</b>	<b>5,362</b>	<b>6,931</b>	<b>7,411</b>	<b>9,152</b>	
Cost of revenues	(2,977)	(4,696)	(6,048)	(6,447)	(7,962)	
<b>Gross Profit</b>	<b>504</b>	<b>667</b>	<b>882</b>	<b>963</b>	<b>1,190</b>	
Operating expense	(96)	(136)	(150)	(148)	(275)	
<b>Operating Profit</b>	<b>408</b>	<b>530</b>	<b>733</b>	<b>815</b>	<b>915</b>	
Other income	(68)	(111)	(75)	(148)	(183)	
taxes	(59)	(79)	(170)	(113)	(124)	
Minority interest	(9)	(3)	(0)	(0)	(1)	
<b>Net Profit</b>	<b>272</b>	<b>337</b>	<b>486</b>	<b>553</b>	<b>607</b>	
EPS	31	39	56	63	70	
<b>EBITDA</b>	<b>517</b>	<b>681</b>	<b>971</b>	<b>1,020</b>	<b>1,121</b>	

8 August 2019  
Precast, Equity

Price **IDR. 550**  
Target Price **IDR. 700**  
JKSE Index **6204.195**



Stock Code **WTON IJ**  
Bloomberg code **4924.8**  
Market cap (IDR.bn) **680**  
52-Week High (IDR) **298**  
52-Week Low (IDR) **556**  
6-m Avg Daily. Val (IDR) **28.47**  
Free Float (%) **28.47**

Major Shareholders (%)  
WIKA **60.00%**  
KKMS **6.18%**  
Yayasan Wijaya Karya **0.99**  
Public **28.47%**

USD/IDR-YE  
2018A **14390**  
2018F (6M Avg) **14213**

Key Indicators **2020F**  
Total Debt/ Equity (x) **1.74**  
Current ratio (x) **1.13**

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Chart: WTON's production installment capacities yoy

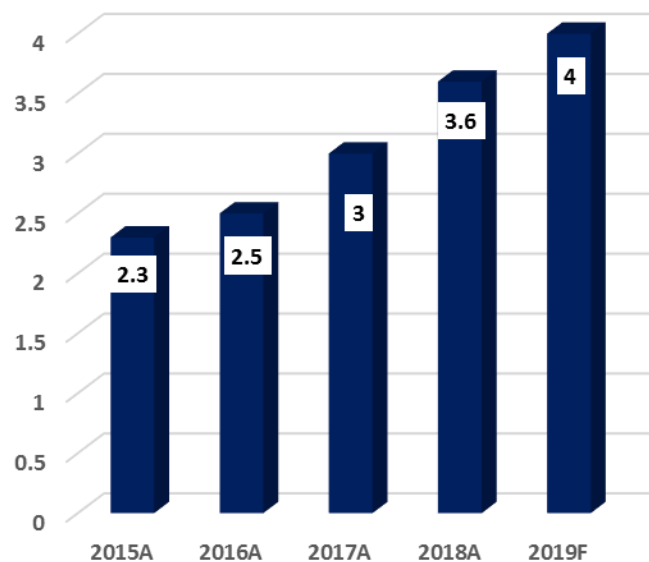


Chart: New contract and carry over contract yoy (in IDR. Trillion)

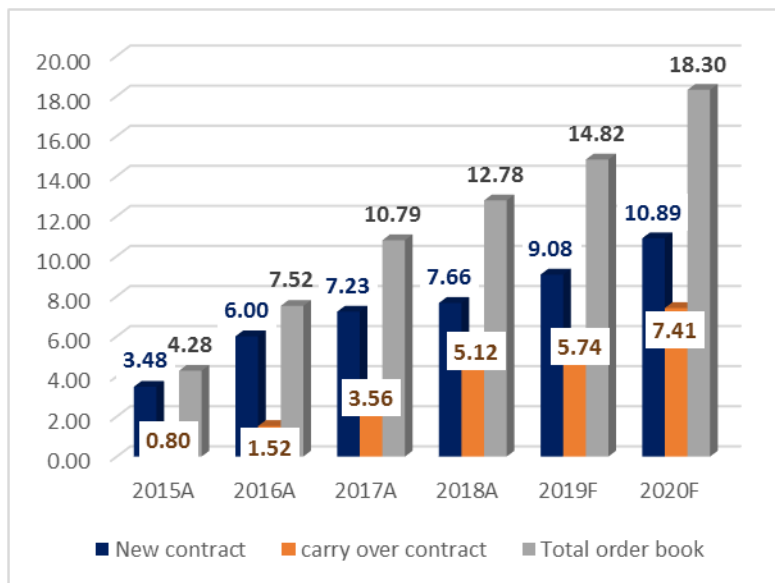


Chart: New contract and carry over QoQ (IDR. Trillion)

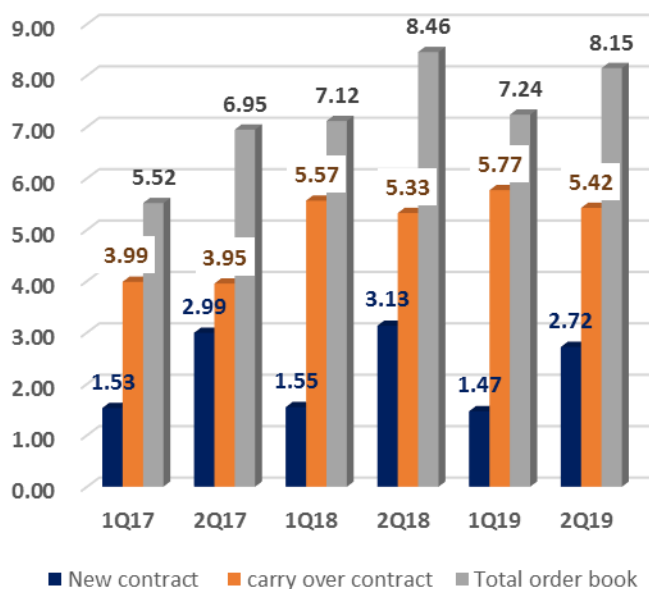
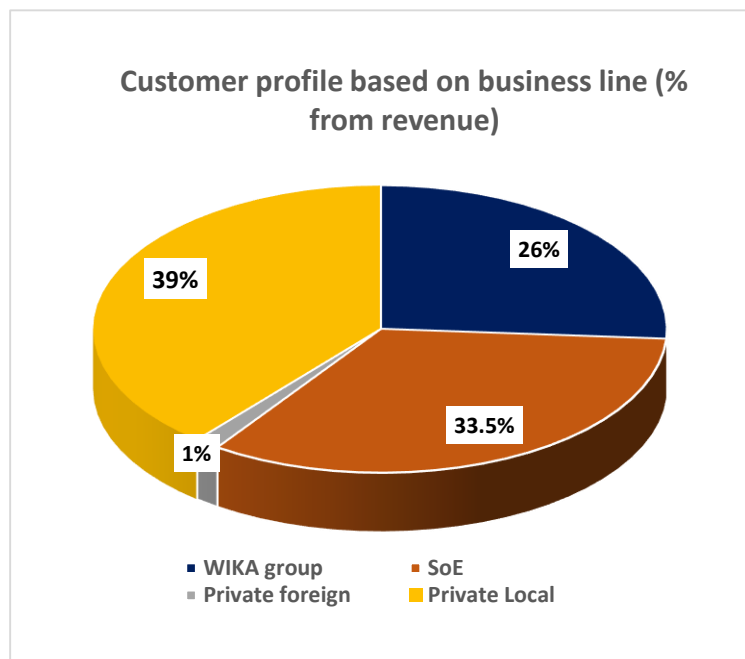


Chart: WTON's company profile based on business line (% from revenue)



**Profit and Loss (IDR.bn) yoy**

<b>Profit and Loss (IDR.bn)</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
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**Balance sheet (IDR.bn) yoy**

<b>Balance sheet (IDR.in bn)</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
<b>Cash and cash equivalent</b>	342.21	637.76	861.62	833.21	1,159.90
Trade Account Receivable	653.48	1,219.48	1,213.12	1,778.55	2,196.36
inventory	622.48	1,034.18	1,206.10	1,482.12	1,921.82
Other current asset	821.76	1,459.97	2,586.47	2,000.87	2,470.91
<b>Total current Asset</b>	<b>2,439.94</b>	<b>4,351.38</b>	<b>5,867.32</b>	<b>6,094.75</b>	<b>7,748.99</b>
Net Fixed Asset	2,219.22	2,679.46	2,947.96	3,476.63	4,153.16
other long term asset	3.16	37.14	63.10	67.47	83.32
<b>Total non current Asset</b>	<b>2,222.38</b>	<b>2,716.60</b>	<b>3,011.06</b>	<b>3,544.11</b>	<b>4,236.49</b>
<b>Total Asset</b>	<b>4,662.32</b>	<b>7,067.98</b>	<b>8,878.38</b>	<b>9,638.86</b>	<b>11,985.47</b>
Trade account payable	664.14	1,223.39	1,146.17	889.27	1,372.73
Short Term bank loans	349.74	1,245.42	1,455.22	1,743.58	2,037.31
Advances from customer	125.60	304.37	555.71	592.85	732.12
Other Current liabilities	724.32	1,443.14	2,090.98	2,223.19	2,745.45
<b>Total current liabilities</b>	<b>1,863.79</b>	<b>4,216.31</b>	<b>5,248.09</b>	<b>5,448.90</b>	<b>6,887.61</b>
Long term loans bank	200.00	0.00	350.00	350.00	550.00
MTN	0.00	0.00	0.00	0.00	0.00
finance lease liabilities	0.00	0.00	39.75	39.75	39.75
Other Long term liabilities	108.05	103.73	103.73	110.91	136.96
<b>Total non current liabilities</b>	<b>308.05</b>	<b>103.73</b>	<b>493.48</b>	<b>500.67</b>	<b>726.72</b>
<b>Total Liabilities</b>	<b>2,171.84</b>	<b>4,320.04</b>	<b>5,741.57</b>	<b>5,949.56</b>	<b>7,614.33</b>
<b>Total Equities</b>	<b>2,490.47</b>	<b>2,747.94</b>	<b>3,136.81</b>	<b>3,689.30</b>	<b>4,371.14</b>
<b>Total Liabilities and equity</b>	<b>4,662.32</b>	<b>7,067.98</b>	<b>8,878.38</b>	<b>9,638.86</b>	<b>11,985.47</b>

**Cash flow (IDR.bn)**

Cash Flow (IDR. bn)	2016A	2017A	2018A	2019F	2020F
Net Income	272	337	486	553	607
Depreciation	137	177	224	227	233
Change in WC	(396)	737	(260)	(55)	111
<b>Cash From Operating Activities</b>	<b>13</b>	<b>1,251</b>	<b>450</b>	<b>725</b>	<b>952</b>
capex	(359)	(637)	(492)	(756)	(910)
Other non current asset	1	(34)	(26)	(4)	(16)
<b>cash from investing activities</b>	<b>(358)</b>	<b>(671)</b>	<b>(518)</b>	<b>(760)</b>	<b>(926)</b>
Long term loans	(120)	(200)	350	0	200
finance lease liabilities	0	0	40	0	0
Other Long term liabilities	28.84	(4.32)	0.00	7.18	26.05
Equity	(45.38)	(79.66)	(97.48)	(0.62)	74.70
<b>cash from financing activities</b>	<b>(137)</b>	<b>(284)</b>	<b>292</b>	<b>7</b>	<b>301</b>
Net Changes in Cash	(481)	296	224	(28)	327
<b>Beginning Balance</b>	<b>824</b>	<b>342</b>	<b>638</b>	<b>862</b>	<b>833</b>
<b>Ending balance</b>	<b>342</b>	<b>638</b>	<b>862</b>	<b>833</b>	<b>1,160</b>

**Ratio Highlights**

Ratio Highlights	2014 A	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
<b>Growth (% YoY)</b>							
Sales	23.96%	-19.06%	31.26%	54.01%	29.25%	6.93%	23.49%
OP	22.01%	-41.87%	71.23%	29.91%	38.12%	11.28%	12.27%
EBITDA	25.09%	-34.52%	60.75%	31.66%	42.50%	5.15%	9.81%
NP	35.80%	-47.28%	56.68%	23.75%	44.27%	13.73%	9.77%
EPS	3.93%	-47.28%	56.68%	23.75%	44.27%	13.73%	9.77%
<b>Profitability</b>							
Operating Margin(%)	12.52%	8.99%	11.73%	9.89%	10.57%	11.00%	10.00%
EBITDA margin(%)	15.00%	12.14%	14.86%	12.71%	14.01%	13.78%	12.25%
NET Profit margin(%)	10.06%	6.55%	7.82%	6.29%	7.02%	7.46%	6.63%
ROA(%)	8.67%	3.90%	5.84%	4.77%	5.48%	5.74%	5.07%
ROE(%)	14.97%	7.68%	10.94%	12.27%	15.50%	14.99%	13.89%
<b>Liquidity</b>							
Current ratio (X)	1.41	1.37	1.31	1.03	1.12	1.12	1.13
cash ratio (x)	0.69	0.46	0.18	0.15	0.16	0.15	0.17
<b>Solvability</b>							
Tot debt/ Equity	0.73	0.97	0.87	1.57	1.83	1.61	1.74
Debt ratio	0.42	0.49	0.47	0.61	0.65	0.62	0.64
<b>Per Share data (Rp)</b>							
EPS	37.84	19.95	31.26	38.68	55.80	63.46	69.66
BVS	252.72	259.70	285.75	315.29	359.91	423.30	501.54

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM**  
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